

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION G-3222
SEPTEMBER 3, 1997**

RESOLUTION

RESOLUTION G-3222. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AN EXCEPTION TO THE INTRASTATE TRANSPORTATION CHARGE PROVISION IN RATE SCHEDULE G-FTS TO CONTINUE SERVICE AS A NONCORE TRANSMISSION CUSTOMER. APPROVED AS MODIFIED.

BY ADVICE LETTER 1962-G, FILED ON JULY 9, 1996.

SUMMARY

1. Pacific Gas And Electric Company [PG&E] requests approval of an exception to its Schedule G-FTS. Under the exception, PG&E would continue gas service to Red Star Yeast & Products (Red Star), a noncore gas customer, under the transmission provision rather than billing this customer under the distribution provision.
2. No protests were filed.
3. This Resolution approves PG&E Advice Letter 1962-G with a modification that would require PG&E to continue service to Red Star as if it were a transmission level customer until Red Star requests different service.

BACKGROUND

1. On July 9, 1996 PG&E filed AL 1962-G requesting an exception to its Schedule G-FTS. Under the exception, PG&E would continue to bill Red Star noncore gas service under its transmission provisions rather than the more costly distribution provisions. PG&E would bill Red Star based on its G-FTS transmission rates. This exception would continue until that rate schedule is no longer in effect or PG&E's transportation service is restructured by Commission decision.
2. Red Star is located in Oakland near the Cypress Freeway Structure. The freeway failed in the 1989 Loma Prieta earthquake. In 1996, the California Department of Transportation (CalTrans) replaced part of the damaged freeway. This replacement caused PG&E to abandon a segment of its transmission line. Red Star was the only customer on the abandoned transmission line. PG&E determined that Red Star could be served from a nearby distribution line. This was in lieu of a transmission line reconstruction with an estimated cost over \$200,000.
3. Red Star has operated its plant in Oakland for more than 100 years. Red Star qualified for transmission rate status by being a transmission service customer before 1993 when Schedule G-FTS went into effect. Schedule G-FTS has an Intrastate Transportation Charge (ITC) with different charges for Transmission and Distribution customers.
4. A consequence of changing Red Star from a transmission customer to a distribution customer is that Red Star would be required to pay the Distribution ITC instead of the Transmission ITC. PG&E estimates that service to Red Star at the distribution level could add \$23,000 to Red Star's annual utility gas bill.
5. Red Star's change in service level was initiated by CalTrans when it rebuilt the damaged freeway. PG&E does not want to charge this customer the additional cost of distribution service.

NOTICE

1. PG&E Advice Letter 1962-G was served on other utilities, government agencies, and to all other interested parties who requested such notification in accordance with Section III, Paragraph G, of General Order 96-A. AL 1962-G was also noticed in the Commission's Daily Calendar on July 22, 1996.

PROTESTS

1. No protests for AL 1962-G were received by the Energy Division.

DISCUSSION

1. The Red Star situation is unique. Red Star is the only industrial customer affected by the abandonment of this PG&E transmission line. The line was abandoned as a convenience to CalTrans. PG&E installed a distribution line near Red Star to provide gas to distribution customers affected by the freeway replacement. PG&E connected Red Star to this new line because it was the least costly option to meet Red Star's service needs. After the connection was made, PG&E realized that there was a rate differential. The cost of adding a new transmission line to serve only Red Star is estimated to exceed \$200,000 and would be uneconomic since Red Star's needs can be met by the distribution line. PG&E believes that it would have to charge Red Star for this uneconomic upgrade.
2. The exception sought by PG&E is to continue to treat Red Star as if it were a transmission customer even though the gas would be delivered through a distribution line. Under this exception, Red Star would not have to pay about \$23,000 more per year to PG&E. PG&E continued to bill Red Star as a transmission customer because the operational change was not known to have ratemaking consequences.
3. PG&E's proposal would limit the exception. When the G-FTS transmission service schedule ends, so would the exception. This could result in Red Star being assigned to a more costly classification at that time. Red Star might have to reopen this issue and make another exception request.
4. The Energy Division recommends an alternate to PG&E's limited exception. The recommendation is to specify that service to Red Star for billing purposes should continue under the physical conditions existing before the 1989 Loma Prieta earthquake until such time as Red Star requests different rate treatment as any other transmission customer. PG&E should not rebill Red Star at the higher rate during the period beginning with the physical change to effective date of this resolution. This alternate would assure Red Star of transmission level treatment and avoid possible future litigation.

FINDINGS

1. PG&E filed Advice Letter 1962-G on July 9, 1996 to obtain an exception from Schedule G-FTS to continue to bill Red Star at transmission service rate until Schedule G-FTS is replaced because of specified unique conditions as described herein.
2. PG&E gas service to Red Star was changed in 1996 from a transmission line to a distribution line as a convenience to CalTrans.
3. If Advice Letter 1962-G were denied, Red Star would be billed about \$23,000 per year in additional charges for an unrequested change in service.

4. PG&E's requested exception to its Rate Schedule G-FTS tariff for Red Star would terminate with that Rate Schedule. Energy Division recommends continuing the exception until Red Star requests a rate change.

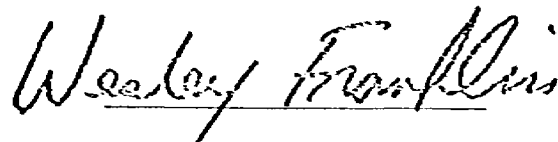
5. PG&E should continue billing Red Star as a transmission level customer as if the transmission line was still operational until Red Star requests a rate change and not rebill Red Star at the higher distribution rate during the transition period.

THEREFORE, IT IS ORDERED that:

1. Advice Letter 1962-G is authorized with the conditions contained in ordering paragraphs 2 and 3.
2. Within 10 days, Pacific Gas and Electric Company may file a supplemental advice letter indicating its intent to continue to bill Red Star Yeast and Products as if it were a transmission level customer until such time as the customer requests a rate change and that PG&E not rebill Red Star at the distribution rate during the transition period.
3. A supplemental advice letter filed in accordance with ordering paragraph 2 shall become effective upon filing.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 3, 1997.

The following Commissioners approved it:



WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Neepser
Richard A. Bilas
Commissioners